

# Lion's Roar



NEWS from Equity Bank Bahamas Limited | Nassau, The Bahamas | Spring 2023 | equitybahamas.com

## Trusts for the Prudent High Net Worth Bahamian: A PRIMER

**B**AHAMIANs traditionally think of wills when setting up their succession planning.

A will facilitates a onetime transfer of your net worth upon your death and involves the onerous process of probate via the Supreme Court. A trust, meanwhile, once created, allows one to transfer assets to the trust during your lifetime and the trust exists for generations of your family as per your wishes. It should be noted that a trust may also be created via your will. However, the assets intended to be settled into the trust will still need to go through the probate process. It is prudent as part of one's estate and succession planning to determine which assets may be settled into a trust during your lifetime and which you wish to include in your will.

As time has evolved, more and more Bahamians are taking advantage of the opportunity to settle their net worth into a trust during their lifetime, as opposed to a will, which has significantly greater benefits for the parties involved. ▶ 2

### NEWSFLASH

## Equity Now a New Option for Bahamian Account Holders

**E**QUITY BANK BAHAMAS is now offering bespoke private banking services to Bahamians after receiving the additional license of Authorized Dealer of the Central Bank of The Bahamas.

For discerning Bahamians this means access to a new local bank which can provide, subject to exchange control approvals, depository services, Bahamian bank accounts, asset management, trusts, investment funds administration and corporate services.

With close to 40 years of providing international clients with the highest standard of private banking services, the Bahamian community will be able to capitalize on the wealth of knowledge and experience that Equity has gained in working with global clients.

"Our ability to accept B\$ deposits and to provide related B\$ financial services

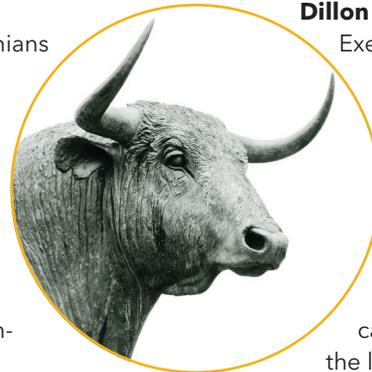
allows Bahamian clients to have greater access to global financial markets by tapping into the professional expertise and knowledge that Equity has been offering to its global clientele," said

**Dillon Dean**, Group Chief Executive Officer.

"For domestic and international clients, it means Equity's experience and knowledge in operating at the high end of the international market for financial services can now be applied to the local B\$ private banking market as well," he said. "In essence it creates a new high net worth

space for Bahamians and international clients alike with service protocols and products that the domestic market has never seen before."

Until recently Bahamians have been limited to traditional local investment options such as shares in local companies and government bonds. The Central



**BULLISH!:** Bahamians now have access to international stocks.



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Although more and more Bahamians are considering a trust, there are still some who may ask “What is a trust?” and “Why should I create a trust instead of only having a will?”

To put it simply, a trust is a legal arrangement that must have the following three certainties:

- 1. The clear intent of the person intending to create a trust, who will be referred to as the settlor or grantor;**
- 2. The certainty of the assets, which can be any type of property, bank accounts or future life insurance settlements that will be transferred to the trust and will be known as the trust fund; and**
- 3. The beneficiaries to a trust are the individuals that will benefit from the trust fund.**

The settlor or grantor will transfer the assets to a third party who will be called the trustee by way of a legal document known as the trust deed or deed of settlement and the trustee is then tasked with the administration of the assets of the trust on a day-to-day basis. The trustee may be a person or a legal entity.

Bahamians who have made the choice to create a trust have done so prudently and we consider that it is wise to ensure that your net worth is protected during your lifetime as well



PEACE OF MIND: A trust can help ease the transfer of personal wealth from one generation to the next.

as after your death.

A trust is an efficient and effective way to ensure that your heirs will have the benefit of any significant assets that you may have such as land and life insurance settlements. As highlighted earlier, having a trust also prevents the need to involve the probate courts, which sometimes takes years after a person has died to be fully concluded.

Finally, one of the best reasons for Bahamians to settle their net worth into a trust is that the trustee, although considered the legal owner of the assets of the trust has a responsibility by law to act in a prudent manner. This means that the trustee must administer the assets of the trust in the best interest of the beneficiaries. The trustee also has a fiduciary responsibility to the beneficiaries and must distribute the assets of the trust in accordance with the wishes of the settlor as indi-

cated in the trust deed without impartiality between beneficiaries with a duty to give an account to the beneficiaries.

If you are a Bahamian with a high net worth, you should consider placing your assets into a trust. There are several types of trusts to choose from which may or may not include a private trust Company.

They are:

- **Discretionary trusts**
- **Purpose trusts**
- **Revocable trusts**
- **Irrevocable trusts**
- **Fixed interest trusts**

These will be further explored in our next newsletter.

It is important to note that the choice of any of the abovementioned trusts is completely dependent on the wishes of the settlor. Upon completion of a trust questionnaire, we will ensure that a trust is tailored to the settlor’s individual needs.

Equity Trust Bahamas Limited is fully licensed and regulated as a trust company by the Central Bank of the Bahamas and will be delighted to offer trust services to you and your family. By entrusting Equity, you are assured of a qualified trustee with decades of knowledge and experience to oversee your affairs. Equity embraces the occasion to discuss your succession planning needs. ■

Bank’s liberalization of exchange control recognizes the desire by Bahamians to participate in the buying and selling of shares beyond The Bahamas and to access other international investment services.

“We believe our track record and experience in helping our international clients achieve financial success can be duplicated to assist Bahamians expand their investment options,” said Equity Chairman **Ivylyn Cassar**.

She added, “With several complimentary

licenses across our group of companies and affiliates both at home and abroad, we are ideally positioned to help both international and Bahamian clients achieve wealth management growth, preservation and succession planning for future generations.”

Equity’s private banking services for the local market requires a minimum opening balance of \$25,000 while international currency accounts continue to have a minimum opening balance of \$250,000. ■



# Bahamas AG Challenges FATF to Reaffirm Itself

**In an address to the recent Fourth Anti-Money Laundering (AML) Research Conference, the Bahamas Attorney General and Minister of Legal Affairs, Senator Ryan Pinder, challenged the Financial Action Task Force (FATF) to reaffirm itself as the only standard setting body and not let other organizations supplant its standards.**

“FATF is the recognized body internationally that sets the standards for every country to comply with,” said Attorney General Pinder. “I can speak firsthand, the requirements are robust, the obligations on countries are significant, and we like other countries do what we need to do to comply at the fullest levels. A challenge arises when other institutions, organizations or multilateral bodies try to represent themselves as international standard setting bodies, prescribing standards that are different from those of the recognized bodies.”

The true cost benefit for the countries such as The Bahamas of arbitrary and unilateral blacklists was another issue raised by the Attorney General.

“We all strive to be compliant, the world economy dictates we must be to participate,” he noted. “So, assuming that, what is the utility of blacklists in light of the extraordinary economic damage it

implores on us small developing countries? We make up the vast majority of black-listed countries, former colonies of European imperialists. Of the 65 jurisdictions greylisted or blacklisted by FATF from 2010 to 2020, none are in the Group of 7 industrialized

nations, while only two, Argentina and Turkey, are in the Group of 20. The vast majority hail from the Global South, and 28 rank in the bottom half of economic output as measured by GDP. We must look at this much closer and have objective research demonstrate the point that blacklists have lacked objectivity and fairness and have devastated at times economies of small developing states in our hemisphere with questionable global benefit.”

As an example, he referred to the EU’s code of conduct group blacklisting 17 countries after the release of the Paradise papers “Not one European country was listed; they all got a free pass,” he said. In February 2019, the EU published an updated version of their AML/CFT list. Again, not a single European country was listed. In 2022, the EU identified jurisdictions with strategic deficiencies in their AML/CFT regimes that pose significant threats to

the financial system. Why is not a single EU member country or their most influential trading partners listed? I suggest a research study of these arbitrary actions and the cost/benefit analysis.”

The Bahamas, the Attorney General stated, will continue to work with all international partners to maintain its AML/CFT/CFP regime on par with international agreed measures to safeguard the global financial system. “Each year over the last seven years, progress has been made with the introduction of enhanced legislation and attendant regulations supervisory and enforcement AML/CFT/CFP regimes, and increased engagement with the professional stakeholders,” he noted.

“These efforts and supporting evidence were assessed by CFATF and FATF International Cooperation Review Group, leading to The Bahamas being delisted from the FATF Grey List on December 18, 2020. This was followed up with the significant achievement obtained in December 2022 with the publication of The Bahamas’ CFATF follow-up report announcing that the country had obtained compliant or largely compliant ratings with 40 of the 40 FATF Recommendations. The Bahamas became the second jurisdiction in the Caribbean and the Americas to attain such a position and only the sixth in the FATF’s global network of 206 jurisdictions. Of note: only one European country has achieved this perfect rating under FATF standards, despite the misconceptions that originate from that part of the world of countries such as ours.” ■



# Women Emerging as Leaders in the Industry

**F**emale creativity has created a fresh perspective and impact on financial services in The Bahamas and the many women who have become industry leaders are closing the gender equality gap as they rise to top tier positions in the industry, according to Ivylyn Cassar, Chairman, Equity Bank Bahamas Limited.

Speaking at the recent STEP Bahamas Conference, Ms. Cassar was one of several female executives who were part of a Women in Financial Services

panel. "There are many types of women who have impacted financial services industry in The Bahamas," Ms. Cassar reminded delegates.



"Traditionally there was the domestic woman, but the woman has since evolved professionally and has become empowered as an innovative leader and business-minded individual impacting the financial services industry, profoundly.

"The reality is, women have been practicing leadership, doing amazing things, making global contributions, enabling positive change, inspiring action, addressing difficult issues, moving communities forward for centuries. The financial business world is no longer just a man's game. However, competing in this challenging environment is no walk in the park to be a leading woman."

She said senior professional women in the industry are having an impact on the younger generation of Bahamian women and the industry in general by acting as role models, mentors and educators while at same time demonstrating how female leadership is transforming business performance and corporate decision making.

"When women become leaders, they provide a different set of skills and imaginative perspectives," she said. "Women leaders bring intuition skills, different perspectives, and innovative ideas to the table. The intuitive analytical investigative mind of a woman is powerful in analyzing problems and creating strategic decisions.

"As leading women join the boards of directors of banks, trust, investment funds and asset management companies, there is a definite shift to board meetings becoming more collaborative. This approach not only impacts corporate culture, but also the way we serve our customers."

She added, "Women impact the construction of a diverse workforce, and with this will come new experiences and perspectives that ultimately contribute to bringing some much-needed innovation into the financial services sector." ■

From left to right: Kim Thompson, Equity HR Director; First Lady Ann Marie Davis; and Ivylyn Cassar, Equity Chairman, at the STEP Bahamas Conference in Nassau, which convenes the world's leading trust and estate practitioners to discuss innovations in wealth management.

# Corporate Culture: THE SECRET TO SUCCESS!

**W**hat is most important to the business? What are the ideologies, ethics, and mindset of the organization? What strategic and financial plans does the business have for the future? Where does senior management envisage the business within the next five years?

These are all questions that the mind and management of any business should be raising in 2023 when developing good quality corporate culture.

The Equity Group of Companies has envisioned itself as a leading financial services provider and institution that is fiercely committed to success – the success of all stakeholders (i.e., the clients, the shareholders, the directors, the employees, and the jurisdiction). The Group has set the tone that hard work, consistency, innovation, creativity, resilience, and engagement are valuable keys to the success of any business.

Furthermore, an organization should examine and make use of the tools congruent and compulsory for a successful and compliant-minded corporate culture.

Other important points to examine are: (i) who and what impacts compliance and success within the corporate environment; and (ii) how an organization creates an environment conducive to such tools. This is because value and vision are only the tip of the iceberg

concerning good corporate culture.

**Evan Tarver** of **Investopedia** states that corporate culture is often inferred as the values, beliefs, and behaviour



that affect how an organization and its employees interact and are not explicitly defined. This is hard to argue with since an organization should focus on how to cultivate it rather than define it.

Rightly so, if we dive beneath the surface of traditional ideologies of good corporate culture (i.e., work style, ethics, the vision of an organization, etc.) and view corporate culture cultivation from a qualitative perspective we can discover two distinctive components that are known as **key performance indicators**.

The secret to success is understanding how these key performance indicators impact the business.

## **Key performance indicators of successful corporate culture cultivation (CCC):**

Notwithstanding, there are many facets to corporate culture, the two key components that indicate the high performance of successful CCC are **human capital management** and **corporate governance management**. Both components are equally important with human capital management establishing and maintaining the intellectual capital and mental health capital of the organization. Whereas corporate governance management ensures that those responsible for establishing and

maintaining policies and procedures are being cultivated themselves as well as implementing practices that incite and cultivate change agents for successful operation, growth, and compliance.

## **HUMAN CAPITAL MANAGEMENT**

Human capital management is essential for a successful CCC as it involves people. People are behavioural and exhibit qualities that alter the climate of any environment. They either enrich it or diminish it. Firstly, employing

the right people, then investing and demonstrating to them that they are valuable and that each role is significant and needed creates a successful business and helps to maintain the intellectual and mental awareness capital of the business.

**Hence, the Group is interested in deepening its talent pool by employing qualified and/or experienced people who are valuable to the financial services industry and is utilizing opportunities to express its appreciation for its employees in small ways that have a big impact on the culture.**

**Kim Thompson**, Director of Human Resources of the Equity Group of Companies, explained that “Ongoing training and development are key areas of focus for HR. As the [financial] industry changes, the employees [of Equity Group of Companies] must adapt and become intellectually relevant. This is also why an annual budget for each employee’s training needs is set at the end of the year and there are opportunities for cross-training across the Group.”

### **What is intellectual capital and how is it managed?**

The intellectual capital of the business is the collaborative knowledge, skill, and resource capacity of the directors and employees and is measured by their competence in the products, services, operations, and relationships of the company and the industry in which the business operates. It is managed by ensuring employees (who govern, manage, and operate the business) have access to the tools required to operate successfully and to receive knowledge, skill, and capacity to perform.

These tools include access to ongoing training for the applicable skill set, and digitization required to operate their functions efficiently and properly as well as participation in continued professional development to create a career-minded path. The 2023 LinkedIn Learning Report evidenced that career development makes employees agile,



and agility is a key component to a resilient and successful business. This is so because career-minded people are purpose-driven. The 2019 LinkedIn Learning Report elucidated that 94% of employees indicated that they would stay at a company longer if afforded more learning opportunities.

### **What is mental health capital and how is it managed?**

Another method to manage human capital is to ensure that mental health capital is appropriately managed via mental health awareness outreach initiatives that involve human resources.

Mental health capital can be defined as the collaborative psychology, the social and emotional well-being of all employees as it relates to an employee’s ability to cope with workplace stress, and the ability to produce quality work while overcoming workplace challenges and creating good work-life balance.

Thompson, who is also a psychology major, further explained, “There is no one free from issues or problems on

the job [working field] however you [human resource managers] must be able to recognize when employees have allowed their personal life to spill over into their work life and it is affecting their quality of performance. As HR managers it is our job to help them [our employees] with establishing balance to perform.”

**The Equity Group of Companies understands how vital sound mental health awareness and outreach is to the success and growth of the business and therefore arranges team-building activities to enhance our employees’ relational skills which remind each employee that “no man is an island.” We all need each other and are supposed to support one another.**

Team building activities also allow for down-time, where employees are provided with the opportunity to celebrate milestones and de-stress.

**In addition, human resource management extends an open-door policy for employees to discuss their career and personal concerns.**

These activities all create a strong



foundation for sound mental health and resilience in the workplace, a key internal mechanism to minimize human capital risk.

## **CORPORATE GOVERNANCE MANAGEMENT**

Corporate governance management is critical to the success of the business and its ability to cultivate change agents within the business. It is widely understood that the mind and management – the board of directors and senior management of the business – set the tone of the business culture. Their actions permeate and bolster the business for success via the implementation of policies, procedures, and practices that cultivate and retain valuable employees who are assets to the business and equipped for business challenges and recovery.

Fundamentally, the board of directors' responsibility is to provide and create policies, and procedures practices and senior management is responsible for the implementation of same. But who is overseeing the overseers? For this

reason, the quality performance of corporate governance management is measured by the quality of oversight of the board of directors and senior management, which is ultimately linked to managing key person risk.

### **What is a key person risk and how is it managed?**

**Matt Vickers** writes in his article, "Managing Key Person Risk," that this type of risk arises when a business is strongly dependent on key individuals who are significant to business viability.

Vickers further explains, "The most notable examples of key person risk occur in some of the world's largest companies. The late Steve Jobs and Sir Richard Branson are two prominent, modern-era key people."

In his article, he also divulges how one mitigates such risk, and it is by ensuring that the intellectual capital of the business is shared, and each managing employee (particularly senior management and middle management teams) is equally empowered, trained and has access to crucial relationships

of the business – as appropriate to their function and skill set – to ensure that they are impacting the other employees and that they are remaining compliant and in tune with the industry and business. Otherwise, such people would not be able to harness the employees capable of contributing to the success of the business.

Another internal control where key person risk can be financially retained is to make certain that your business has key person risk insurance. The Group's governance, risk, and compliance team are now addressing the elephant in the room concerning key person insurance, as it will not only allow for the financial stability of the business, even after such a loss, but also allocate funds to employ resources.

The mission of corporate governance management is therefore to manage the people who are impacting the change agents of the business and apart from maximizing stakeholder profits, and operating compliantly, the end game is ultimately successful CCC. Successful CCC is what promises business longevity.

## **THE CHALLENGES**

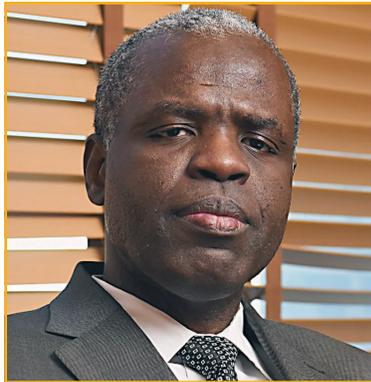
Businesses that lack the skills to foster or the discernment to employ employees with a career-driven mindset and the mental agility for work-life balance are placed at a disadvantage and therefore are burdened with fundamental elements for business success. Businesses that also lack a strong, consistent, and innovative corporate governance team who can enforce and oversee such principles within the internal control framework of the business are faced with the same dilemma.

**The Group strives to press against the challenges of successful CCC that not only the financial services industry and jurisdiction may face, by facilitating a remote environment as necessary for the growth of mental health capital but this is difficult to materialize permanently. The Group also strives to ensure that key people set the right tone.**

# Planning for Financial Stability Council Underway

**T**HE CENTRAL BANK of The Bahamas has announced plans to create Financial Stability Council to help “develop a playbook” for how regulators and the Government manage an industry crisis.

**John Rolle**, the Central Bank’s Governor said moves to establish such an entity had “not been triggered” by any current concerns regarding the stability of the Bahamian financial system but to strengthen co-ordinated oversight of the financial services sector.



**John Rolle, Governor, Central Bank of The Bahamas.**

“The purpose of having a Financial Stability Council or group that spans regulators, and even draws in the Government itself, recognizes [there are] instances when a response might be needed, or in instances where

medium- or long-term projections suggest problems could be on the horizon or it’s necessary to take measures that span across a single set of institutions that may be required,” Mr. Rolle said.

“From that point of view, the Financial Stability Council becomes useful in developing a playbook for how we should react in a crisis, as well as focusing on certain standards that should apply consistently in terms of the behaviour, particularly in terms of lenders or borrowers and investment markets so that the system evolves in an orderly fashion,” he said.

The FSC would be a non-statutory inter-agency body established to monitor and review emerging risks that

might impact financial stability, as well as facilitate regular discussions and system-wide analysis on the financial strength of systemically important financial institutions in The Bahamas.

Council membership will be comprised of financial services regulators, such as the Central Bank and Securities Commission, as well as relevant government agencies and ministries and its role will be to provide “co-ordinated oversight of the financial services sector” and allow for a collective response to any systemic threats.

**“The Council becomes useful in developing a playbook for how we should react in a crisis**

The Governor, who gave no timelines for the Financial Stability Council’s creation, added that it will also enable the Government and financial services regulators to “collectively monitor how things are evolving in the economy and pose questions to ourselves. And, if we are not satisfied, to be able to agree on what should be the collective intervention.” ■

## ▶ CREATING A SUCCESSFUL CORPORATE CULTURE | from page 7

### THE ANSWER

**Ivylyn Cassar**, Chairman of the Equity Group of Companies, stated, “Our corporate government management practices have delivered the resilience required for the ongoing success of Equity Group through its matured and seasoned human capital who recognize the value of work-life balance and developing compliant policies and procedures that cultivate quality culture as industry leaders.

“We here at Equity will continue to fearlessly bulldoze through the challenges of cultivating a good quality culture in hopes that the younger generation will overcome such challenges and

senior management will become so innovatively engaged that we have no choice but to value them.”

Irrefutably, in the years 2020 and 2021 Covid-19 made a global impact, and such conditions were prime examples of how vital it is to create an environment where people can thrive and remain grounded albeit there are challenges because of sound mental health. Consequently, the year 2022 was a year of recuperation, whereas a focused, career-driven, agile mindset was required for business recovery.

**The year 2023 is now the year of value and strategy and the Group is appreciating those people who endure**

**the challenges of business, and intellectually empowers and safeguards those persons who govern and provide oversight. People are important. ■**

**–Shari Quant, Assistant Vice President Internal, Legal and Risk, Liongate Bahamas**



# Inaugural Hack-a-Thon

A CREATIVELY PROGRAMMED keyboard for the visually impaired was the winning entry at Liongate Bahamas Limited's inaugural **Hack-a-Thon** event held last November on the Equity House premises.

Featuring talented grade 10 and 11 students from **Windsor School** and the **International School of Entrepreneurship and Technology** (ISBET) participants were tasked with creating a digital solution that addressed a specific need in the Bahamian community.

The students were required to create a solution on premises within the allotted morning and afternoon sessions with the available equipment and an internet connection. Hence, their innov-

ative prototypes were conceived and created on the spot, rather than being premeditated.

The students impressed the judges with their creative digital solutions to climate change, car accident prevention, and tools for the visually impaired. After deliberating the various prototypes, the judges announced **Daniae Gray** as the winner of the Hack-a-Thon for her creatively programmed keyboard for the visually impaired. Unlike a normal QWERTY keyboard, Gray's keyboard consisted of only a few keys which were coded to formulate words rather than letters.

Daniae is a 10th grade student at ISBET. ISBET was established in August 2021 as the founder felt that the educational system lacked foresight and

forward thinking that students today require. The classes at ISBET allow students to apply theory taught in the classroom to practical lessons and hands-on experience.

Other participants included Windsor College students **Justin Li, Dmitri Deveaux, Jabari Gomez** and **Alexander Turner**, as well as **Dylan Forbes** from ISBET.

The judging panel included: Liongate Bahamas Limited CEO **Michael Dean**; Equity Bank Bahamas Limited Head of Business Development and Fintech **Gilbert Cassar**; Parliamentary Secretary **Wayde Watson, MP**; Managing Director, Bahamas Development Bank **Nicholas Higgs**, and President, Coding Bahamas Future **Catherine LaJeunesse**. ■

From left to right: Michael Dean, Hack-a-Thon first place winner Daniae Gray, Ivylyn Cassar and Catherine LaJeunesse, Coding Bahamas Future.



COMMUNITY

# Equity's Fifth Annual Charitable Art Exhibition



**E**QUITY BANK BAHAMAS LIMITED was excited to again host its Fifth Annual Charitable Art Exhibition on December 18, 2022 at Equity Trust House in Caves Village, Nassau, The Bahamas.

The exhibition featured more than eighty art pieces from 13 resident artists, some of which included: **Sophie McCarroll, Kevin Cooper, Deime Ubani, Moses Victor, Eugene Wedlear, Justin Moultrie, Pascale Trichet, Preston Hanna, June Collie, Christen Willie, Elisa Klein,** and many more.

Art sales revenues of the exhibit are kept by the artists, with 15 per cent of proceeds donated to **STRAW Inc**, a safe and non-threatening space for young girls to participate in academic and extracurricular activities, as well as providing healthy meals, leadership development, and life skills training.

**Gilbert Cassar**, Head of Business Development and Fintech, welcomed and thanked guests for their attendance. Mr. Cassar acknowledged the presence of: Chairman **Ivlynn Cassar**; First Lady **Ann Marie Davis**; Ambassador of Cultural Affairs, His Excellency **Jamaal Rolle**; art curator and renowned seagrape leaves artist **Sophie McCarroll**; and Assistant Manager, Marketing **Sasha Dean**.

He also said that "this is a commitment that we [Equity Bank] make to the art community to show you that we truly see this as a pillar of society." His Excellency Jamal Rolle added that "it was such an honour and privilege to be here today and to see such an eclectic display of art and artists being represented here." H.E. Rolle explained that he is confident and happy that the orange economy is still alive and well in The Bahamas.

First Lady, Mrs. Ann Marie Davis was introduced by Mr. Cassar and she made brief remarks on behalf of STRAW Inc and provided motivation and encouragement to the artists. She thanked all those who patronized the art exhibition and congratulated the young artists who represented their talents and showed the world what they can do. ■

Left: Artist Justin Moultrie and First Lady Ann Marie Davis.

Right: His Excellency Jamaal Rolle, Artist Elisa Klein, Artist and co-organizer Sophie McCarroll, D. Gilbert Cassar, and Sasha Dean.



# Bahamian Economy Overview

**T**HE COMMONWEALTH of The Bahamas continues to demonstrate **recovery** from the impact of Covid-19 with an impressive resurgence of tourist arrivals unchastised by restrictive pandemic protocols. Healthy upticks in both sea and air arrivals suggest repressed demand for travel and leisure. Nonetheless, the impact of increased interest rates globally to calm inflation may have trickle-down effects on the spending capacity of visitors.

In 2020 **GDP** declined by nearly 24% due to pandemic conditions, followed by a partial rebound of 14% in 2021, and an 8% increase in 2022, leading into the current trajectory expected. The IMF projects real GDP during 2023 of 4.1% and for it to taper to 3% and then to 1.9% in 2024 and 2025, respectively. This moderation is logical as the pandemic recovery becomes more complete and would resemble the average real GDP growth in The Bahamas between 1991 and 2018, which is 1.4%. The size of the Bahamian economy in billions is expected to grow to 12.37 US\$ billion by the end of 2023, up from 11.21 US\$ billion in 2021, and representing approximately 0.01% of the global economy.

Tourism experienced a significant comeback from its more than 75% fall of **visitor arrivals** in 2020 and boasts 7,000,706 visitors to The Bahamas in 2022, just shy of its pre-pandemic 2019 record of 7.249 million visitors, and exceeding 2018's 6.622 million tourists. The last two quarters of 2022 exceeded the same period in 2019, and December 2022 produced 900,000 visitors – the highest in The Bahamas' history – paving the way for high expectations that 2023 will be a record-setting year in tourism arrivals. The Bahamas' relationship with the USA remains strong, with 85% of visitors being American as of Q4, 2022.

According to the Ministry of Tourism, Investments and Aviation's review of 2022, there has been a widening customer base as well, evinced by 55% of new first-time visitors and increased arrivals from the USA, Europe, Canada, Asia, the Middle East, and Africa.

Varied-scale foreign direct investment in construction projects and to a lesser degree hurricane Dorian reconstruction efforts are expected to continue to support economic growth with a weighted impact on **employment** and the tourism sector. An improvement of 4.1% since 2021, unemployment in The Bahamas as of 2022 sits at 13.8% as compared to 6.8% in the Euro-area, 5.3% in Canada, and 3.7% in the United States.

As measured by the All-Bahamas Retail Price Index (RPI), **inflation** in the Bahamas is 5.7% as of January 2023, up from 3.2% in 2022, and as compared to 6% in the USA (February 2023). These elevated price levels are attributed to the impacts of higher imported good prices and spiked global oil costs. Contrary to the hawkish monetary policies of the US and other governments to counteract inflation, OPEC+ on April 3, 2023 announced a voluntary production cut of nearly 2% in global demand, which is forecasted to increase WTI crude oil per barrel by 5.48% to \$70.83 per barrel, the steepest jump in nearly 12 months. This suggests an upward influence on local inflation. The basket items driving inflation most include Food and Non-alcoholic Beverages (+16%, 2022); Recreation and Culture (+20.6%, 2022); Restaurants and Hotels (+12.7%, 2022); Health (+6.4%,

2022); and Housing, Water and Gas (+5.5%, 2022).

Albeit banks retain a conservative lending position, **loan rates** movements have generally been within 1% between Q4 2021 and Q4 2022. The weighted average loan rate in Q4 2022 was 10.30% edging up to 11.20% by Q4 2022. Unbundling the loan types, quarter over quarter as at Q4 2022, commercial mortgage rates sit at 7.08% (unchanged), residential mortgages at 5.16% (5 bp improvement), and consumer loans at 12.87% (21 bp improvement). As an indicator of economic recovery, as at Q4 2022, the quality of loans has improved; the ratio

of arrears to total private sector loans decreased on a yearly basis by 2.8% to 11.4%.

**Deposit rates** on depositor cash holdings remains subdued at 0.52% (Q4 2022).

During the first half of FY2022/2023 Government of The Bahamas **revenue**

increased by 11% as a result of a 13.5% increase in tax revenue and a 4.1% decrease in non-tax revenue. To a lesser extent government expenses also increased during this period by 8% as a result of a 13.5% increase in capital spending and an 8% increase in recurrent spending. With revenues outpacing expenses, this led to a contraction in the deficit during this period. With respect to the balance of trade, Q4 2022 statistics demonstrate an improvement in the current account deficit year over year by 13.58% due to the uptick in tourism-driven service exports.

The Central Bank of The Bahamas is convinced that external **reserves** during 2023 shall remain in excess of international benchmarks and more than adequate to main the Bahamian dollar-US dollar peg.

As you navigate this inflationary yet buoyantly recovering economic environment, Equity remains fiercely committed to your success. ■



# International Markets Update

As at March 24, 2023

**T**HE INTERNATIONAL MARKETS continue to grapple with taming inflation rates, while managing the fallout of several significant banks, namely Silvergate Bank, Silicon Valley Bank (SVB), Signature Bank, and Credit Suisse.

- In the United States, the Dow Jones Industrial Average is slightly down by -1.77% when comparing the opening balance at the beginning of the year with the closing balance on March 22, 2023, and -6.78% year-over-year. The S&P500 is slightly up for the first quarter of 2023 showing a 3.42% increase (as at 03.24.2023), however, is down -12.15% YoY; nonetheless, compared to pre-pandemic levels (03.02.2020) the S&P500 is up 28.5% showing relative growth.

- The Federal Reserve remains hawkish in its general sentiment of abiding by the monetary policy of exercising quantitative tightening and increasing interest rates to cool the economy and reduce inflation to a target level

of 2%; this is the inflation target also subscribed to by Canada, Australia (2-3%), Japan, Israel, and the European Union. Down from 9.06% on June 30, 2022, the inflation in the USA currently stands at 6.04% as of February 2023, a 3.02% improvement. Nonetheless, the



inflation rate remains elevated compared to the historical average of 3.28% and a pre-pandemic inflation rate of 1.55% on January 31, 2019.

- While the efforts of increasing interest rates are noble in its objective to control pricing levels in the economy, there are side effect consequences, such as increased costs of borrowing (which is the highest since 2007) and bond value reductions that

at scale can be destabilizing for over-leveraged holders. Inversely, as interest rates increase, bond prices decrease, deflating the asset base of that portion of one's portfolio; this is akin to the SVB downfall, which involved unhedged over-weighting in long-term bonds causing insolvency issues during a bank run.

- On the heels of its meetings the Fed has remained steadfast in its targeting of inflation reduction by hiking its short-term interest rate by 0.25% and staying on course with its rate increases plan. At its highest rate since August 2007 before the onset of the Great Recession in late 2007, the fed funds rate sits within the range of 4.75 to 5%.

- Amid the turmoil of select financial institutions, the Fed assures that "the US banking system is sound and resilient." Meanwhile, in Europe Switzerland's executive branch intervenes to approve the purchase of Credit Suisse by UBS in March 2023 to restore stability and quell concerns of the otherwise global impacts of a Credit Suisse collapse, which boasts AuM of US\$1.75 trillion equiv. UBS notes that with this acquisition it is positioned as a Swiss-based global wealth manager with over "US\$5 trillion in total invested assets and sustainable value opportunities." UBS Chairman **Colm Kelleher** shares that "The transaction will bring benefits to clients and create long-term sustainable value for our investors."

- The EU also continues its monetary tightening regime and as published by the European Commission "is set to narrowly escape the recession that was penciled in back in autumn." During 2022 Growth in the EU was estimated at 3.5% to be followed by a forecasted thin increase in GDP of 0.8% in 2023 and 1.6% in 2024. Inflation is projected to wane, decelerating from its high of 9.2% in 2022 to 6.3% in 2023 and to 2.8% in 2024, closer in line with the 2% target.

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